

JOURNAL OF THE SENATE [March 2, 1971]

STATE OF WISCONSIN

Senate Journal

Eightieth Session

TUESDAY, March 2, 1971.

10:00 o'clock A.M.

The senate was called to order by the president of the senate.

The prayer was offered by the Reverend Clifford Fyelling, Pastor of Plymouth Congregational Church of Madison, Wisconsin.

The senate remained standing and recited the Pledge of Allegiance to the Flag of the United States.

The roll was called and the following senators answered to their names:

Senators Bidwell, Busby, Chilsen, Cirilli, Devitt, Dorman, Frank, Heinzen, Hollander, Johnson, Kendziorski, Keppler, Knowles, Knutson, LaFave, Lorge, Lotto, Lourigan, McKenna, Martin, Murphy, Parys, Peloquin, Risser, Roseleip, Schuele, Soik, Steinhilber, Swan, Thompson and Whittow—31.

Absent—Senator Krueger—1.

LEAVE OF ABSENCE

By request of Senator Keppler, with unanimous consent, Senator Krueger was granted a leave of absence for the balance of this week's sessions.

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AMENDMENTS OFFERED

Senate substitute amendment 1 to **Senate Bill 138** by Senator Schuele, by request of Mrs. J. L. Gander for spending taxes on public schools.

Senate substitute amendment 1 to **Senate Bill 205** by Senator Knutson.

Senate amendment 2 to senate amendment 2 to **Senate Bill 35** by Senator Thompson.

Senate amendment 1 to senate amendment 5 to **Senate Bill 35** by Senator Lotto.

INTRODUCTION OF RESOLUTIONS

Senate Joint Resolution 26

Establishing a special joint committee to study the constitutionality of the federal government's relations with the United Nations.

By Senator Roseleip.

Read first time and referred to committee on Governmental and Veterans' Affairs.

BILLS INTRODUCED

Read first time and referred:

Senate Bill 236

Relating to income tax deduction for special assessments.

By Senator Lorge.

To joint Survey committee on Tax Exemptions.

Senate Bill 237

Relating to advertising, display and sale of "indecent articles".

By Senator Risser, by request of the United Methodist Church, Wisconsin Conference, Committee on the Survival of Man in Changing Environments.

To committee on Health and Social Services.

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Senate Bill 238

Relating to permitting podiatrists to dispense narcotic drugs, and revising the definition of podiatry.

By Senators Devitt, Steinhilber, Soik, Murphy, LaFave, Cirilli, Swan, Hollander, Dorman, Martin, Schuele, Keppler, Chilsen, Thompson, McKenna, Parys and Peloquin; co-sponsored by Representatives Molinaro, Jones, Wackett, Huber, Quinn, Lynn, Froehlich, Shabaz, Lewison, Conradt, Gaulke, R. M. Thompson, Tobiasz, W. A. Johnson and Merkel.

To committee on Health and Social Services.

Senate Bill 239

Relating to state funds available for student loans.

By Senator Hollander; co-sponsored by Representative Molinaro.

To joint committee on Finance.

Senate Bill 240

An act to appropriate \$6,403.15 from the general fund for payment of a claim by Dane county against the state.

By Senator Hollander; co-sponsored by Representative Molinaro, by request of the State Claims Board.

To joint committee on Finance.

COMMITTEE REPORT

The committee on Governmental and Veterans' Affairs reports and recommends:

The appointment by the Governor of Joe E. Nusbaum, of Madison, as Secretary of the Department of Administration, to succeed Wayne McGown, to serve at the pleasure of the Governor.

Confirmation; Ayes, 5; Noes, 0.

Senate Bill 163

Relating to deposits in the veterans' trust fund and making an appropriation.

Passage; Ayes, 5; Noes, 0.

GORDON W. ROSELEIP,
Chairman.

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PETITIONS AND COMMUNICATIONS

Senate Petition 19

A petition signed by 106 people of the 27th Senatorial District opposing Senate Bill 138.

By Senator Bidwell.

Read and referred to committee on Education.

Senate Petition 20

A petition signed by 28 people of the 27th Senatorial District in favor of Senate Bill 138.

By Senator Bidwell.

Read and referred to committee on Education.

Received House Joint Resolution No. 503 of the South Dakota Legislature requesting the Congress of the United States to call for a Constitutional Convention for the purpose of amending the United States Constitution relating to the sharing by state and local governments revenues received by the Federal Government.

Read and referred to joint committee on Finance.

The State of Wisconsin
Department of State
Madison

March 2, 1971.

To The Honorable, The Senate

Gentlemen: I have the honor to transmit to you, pursuant to section 13.67 (2), a list of registered lobbyists for the period beginning February 23, 1971 and ending March 2, 1971.

Yours very truly,

ROBERT C. ZIMMERMAN,
Secretary of State.

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Name, Address and Occupation of Lobbyist—Name and Address of Employer—Subject of Legislation—Date of Employment—Length of Time of Employment.

Richard Rechlicz, Exec. Sec., P.O. Box 31, Brookfield—Wisconsin School Bus Contractors, P.O. Box 403, Brookfield—All legislation affecting Wisconsin School Bus Contractors—December 9, 1970—Session.

G. E. Sipple, Insurance Real Estate, 5317 Coney Weston Place, Madison—Dane County Council of the American Legion, Madison, Wisconsin—Veterans—February 23, 1971—Session.

Joseph G. Rost, Asst. to the Director, 509 North Lake Street, Madison—Kellett Commission, Warf Building Madison—Education—February 24, 1971—Session.

Calvin Mills, Consultant, 216 Ayers Street, Neillsville—Wisconsin Association of Municipal Homes, Black River Falls—Homes—February 24, 1971—Session.

Calvin Mills, Consultant, 216 Ayers Street, Neillsville—Wisconsin Association of County Hospitals, Owen—Hospitals—February 24, 1971—Session.

Dr. Eugene Hurtienne, Podiatrist, 2705 N. 8th Street, Sheboygan—Wisconsin State Podiatry Society, 2500 North Mayfair Avenue, Milwaukee—Podiatry and health matters—February 24, 1971—Session.

William W. Gohdes, Government Admnstr., 9 s. 110 Lake Dr., Clarendon Hills, Ill.—the UpJohn Company, Kalamazoo, Michigan—Health and related matters—February 24, 1971—Session.

Russell Olson, Bassett, Wisconsin—Wisconsin Soft Drink Association—Food Regulations—February 24, 1971—Session.

William Kasakaitas, Leg. Council, 7010 Mineral Point Road, Madison—Wisconsin Potato and Vegetable Growers Assn., Antigo, Wisconsin—Resources, water, agriculture—February 24, 1971—Session.

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James F. McMichael, Exec. Dir., 122 East Lakeside Street, Madison—Wisconsin Council of Homes for the Aging, Inc., 122 East Lakeside Street, Madison—Nursing homes and the field of aging generally—February 24, 1971—Session.

James Wimmer, Jr., 1030 Sherman Avenue, Madison—Wisconsin Railroad Association, 25 West Main Street, Madison—Railroads—February 25, 1971—Session.

James Wimmer, Jr., 1030 Sherman Avenue, Madison—Kohl's Food and Department Stores, 11100 West Burleigh Street, Milwaukee—Matters relating to consumer credit and related fields—February 25, 1971—Session.

Kenneth Scholen, Asst. to Exec. Dir., 2 E. Gilman St., Suite 530, Madison—Wisconsin Council of Churches, 25 E. Gilman Street, Madison—Public assistance—February 25, 1971—Session.

Stanley B. Grady, Controller, 230 Monroe Avenue, Port Edwards—Nekoosa Edwards Paper Company, Inc., 100 Wisconsin River Drive, Port Edwards—Industry—February 25, 1971—Session.

James Mallas, Legislative Dir., 5547 W. Roosevelt Drive, Milwaukee—Disabled Veterans Company—Dept. of Wisconsin, Box 49, Madison—Veterans Affairs—February 25, 1971—Session.

Richard Rechlicz, P.O. Box 31, Brookfield—Waukesha County Technical Institute—Dist. #8, 222 Maple Avenue, Waukesha—Vocational and technical education—February 26, 1971—Session.

A. O. Peterson, Manager, 30 North Michigan Avenue, Chicago, Ill.—Eli Lilly and Company, 618 Indianapolis, Indiana—Taxation, government, public health, industrial relations, education, agriculture and any other matters which are the subject of legislation affecting the production and distribution of pharmaceutical, agricultural, or industrial products—March 1, 1971—Session.

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EXECUTIVE COMMUNICATIONS

State of Wisconsin
Office of the Governor
Madison

To the Honorable, the Senate:

The following bill, originating in the senate, has been approved, signed and deposited in the office of the Secretary of State.

Senate Bill 89, Chapter No. 13—Approved March 2, 1971

Respectfully submitted,

PATRICK J. LUCEY,
Governor.

MESSAGE FROM THE ASSEMBLY

By Thomas P. Fox, chief clerk.

Mr. President:

I am directed to inform you that the assembly has passed and asks concurrence in:

Assembly Bill 13
Assembly Bill 94
Assembly Bill 148
Assembly Bill 165
Assembly Bill 166
Assembly Bill 194

Concurred in:

Two Motions Under Joint Rule 26:

MESSAGE FROM THE ASSEMBLY CONSIDERED

Assembly Bill 13

Read first time and referred to committee on Natural Resources.

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Assembly Bill 94

Read first time and referred to committee on Housing and Urban Development.

Assembly Bill 148

Read first time and referred to committee on Housing and Urban Development.

Assembly Bill 165

Read first time and referred to committee on Health and Social Services.

Assembly Bill 166

Read first time and referred to committee on Health and Social Services.

Assembly Bill 194

Read first time and referred to committee on Housing and Urban Development.

MOTIONS

By request of Senator Roseleip, with unanimous consent, **Senate Bill 163** was withdrawn from the committee on Governmental and Veterans' Affairs and referred to joint committee on Finance.

By request of Senator Lorge, with unanimous consent, **Senate Bill 225** was withdrawn from the committee on Commerce, Labor, Taxation, Insurance and Banking and referred to the committee on Governmental and Veterans' Affairs.

CALENDAR OF THURSDAY, FEBRUARY 25

Senate Bill 35

Relating to annexation of town islands.

Read a second time.

Senate amendment 1 adopted.

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Senator Risser moved rejection of senate amendment 1 to senate amendment 2 to Senate Bill 35.

The ayes and noes were demanded and the vote was: ayes, 17; noes, 14; absent or not voting, 1; as follows:

Ayes—Senators Chilsen, Devitt, Dorman, Frank, Hollander, Kendziorski, Keppler, Knowles, Lorge, Lotto, McKenna, Martin, Parys, Risser, Schuele, Soik and Whittow—17.

Noes—Senators Bidwell, Busby, Cirilli, Heinzen, Johnson, Knutson, LaFave, Lourigan, Murphy, Peloquin, Roseleip, Steinhilber, Swan and Thompson—14.

Absent or not voting—Senator Krueger—1.

So the amendment was rejected.

Senator Hollander moved rejection of senate amendment 2.

Senator Dorman raised the point of order that amendment 2 was not germane to Senate Bill 35.

The chair ruled the point of order not well taken and that amendment 2 was germane.

The ayes and noes were demanded and the vote was: ayes, 14; noes, 17; absent or not voting, 1; as follows:

Ayes—Senators Chilsen, Dorman, Frank, Heinzen, Hollander, Kendziorski, Keppler, Knowles, Lotto, Parys, Risser, Schuele, Steinhilber and Whittow—14.

Noes—Senators Bidwell, Busby, Cirilli, Devitt, Johnson, Knutson, LaFave, Lorge, Lourigan, McKenna, Martin, Murphy, Peloquin, Roseleip, Soik, Swan and Thompson—17.

Absent or not voting—Senator Krueger—1.

So the motion to reject senate amendment 2 failed.

By request of Senator Keppler, with unanimous consent, the senate stood informal until 15 minutes after the Governor's speech.

At 10:50 A.M., the senate proceeded in a body to the assembly chamber to meet in Joint Convention to receive the third part of the Governor's budget message.

Governor Patrick J. Lucey

GOVERNOR'S BUDGET MESSAGE

Part III. EXPENDITURE AND REVENUE
RECOMMENDATIONS

INTRODUCTION

In Part I of my Budget Message I shared with you some of the fiscal problems confronting Wisconsin. Part II discussed several policy changes and cost reductions. Today, I wish to describe my recommendations for financing the cost of state government for the forthcoming biennium, proposals for expanding state assistance to local governments and reforms of our tax structure.

I am especially pleased to announce at the outset that because of a close scrutiny and careful pruning of both base programs and new proposals, we have been able to trim agency requests by \$280 million. This permits me to present a biennial budget of less than two billion dollars—\$1,983.2 million. Moreover, because of a shift of emphasis from programs which can no longer claim a high priority, this budget is both financially responsible and able to provide services to meet the most compelling needs of our citizens.

Further, I am happy to announce that I am providing \$100 million in property tax relief. This is a significant first step in reducing the unacceptable burden of this regressive tax, which has unfairly plagued our citizens and grown particularly burdensome in recent years.

This budget also corrects major deficiencies in our system of resource allocation so that tax revenues are more equitably distributed amongst our people, especially to those presently living in municipalities with the greatest need for relief.

There are two additional policy objectives of extreme importance that are included in this message. First, there is a dramatic increase in the monies which will be shared with local governments, a sum substantially exceeding the new dollars requested to finance this budget. This means that every new tax dollar raised for this budget is being returned to our units of local government. Second, the

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burden of financing the cost of government will be redistributed so that the greatest expense will be charged to those individuals and corporations with the greatest ability to pay.

Part III of the Budget Message provides the rationale and specific details supporting these proposals.

EXPENDITURE RECOMMENDATIONS

In my budget deliberations I utilized the same review procedure for each agency. I began by attempting to reduce base programs to the minimum sum which would still permit the provision of essential services to the people of this state. After establishing a new base budget figure covering agency requests, I added funds in a few selected areas to finance programs required by new priorities. Finally, I reserved a sum to cover civil service salary increases and packages of legislation which will be presented after reports have been issued by special task forces and study commissions. [Exhibit A describes the steps in the budget process.]

First, I reduced the \$613.7 million increase requested by the agencies by \$280 million. Of the increases approved, \$182 million is for local assistance and \$151.7 million for state operations. Of the increase for state operations, 57% represents the cost of continuing current levels of programs, 34% represents the cost of growth in the number of people served, and only 9% is for new and changed programs. In local assistance most of the increase is for elementary, secondary and vocational schools.

After establishing a basic budget of \$1,929.6 million in response to agency requests, I considered a number of additional items. Among these were new projected caseloads by the Department of Health and Social Services and policy positions expressed by the governing board of that agency—positions with which I am in complete agreement. Several of these items involved the restoration of a number of public assistance aids. Further, I proposed the funding of priorities such as a state school lunch program and the non-federal costs of the WIN program in all counties of the state. [Exhibit B gives details of the Governor's recommendations other than agency requests.]

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The biennial expense of the policy decisions not reflected in agency requests is \$30.6 million. Thus, the total recommended appropriations in my budget bill are \$1,960.2 million; when this total is reduced by the standard 1% for the estimated lapse of appropriations, the result is a projected level of expenditures of \$1,940.6 million.

In addition, however, it was also necessary to include in my financial planning and revenue requirements the cost of other proposals which the Legislature must consider. This sum includes the Bureau of Personnel's civil service pay plan, which will cost \$24.6 million over and above the \$13.2 million of merit increases presently in departmental budgets. I consider this plan only minimally adequate; but in view of the overall austerity of the budget and my recommendations covering other pay adjustments, I believe the proposed level of improvements is realistic. It provides the average eligible employee with a 7-7½% increase in 1971-72 and a 9-10% in 1972-73. A significant feature of the proposed plan is a provision which offers an above average percentage increase for those in the lower pay brackets in the first year of the biennium. There is then a return to the more traditional equal percentage increase for all pay brackets in the second year.

Finally, I have included in my financial planning, \$18 million to cover proposals which I intend to bring before the Legislature in detail at a later date. These include recommendations in the following areas:

1. **Environmental Protection**—I intend to submit proposals for more active participation by state government in the preservation and protection of our natural surroundings;
2. **Housing**—I will be recommending to the Legislature a program to help alleviate the very serious difficulties in creating new housing;
3. **Courts**—I have reserved funds to provide support for recommendations resulting from a Blue Ribbon Committee on the Judiciary;
4. **University of Wisconsin, Central Administration**—I have also set aside a reasonable sum to cover the legitimate administrative costs of the new University of Wisconsin system; and

5. **Correctional Facilities**—Monies will be available to either support additional community-based programs or to staff existing new facilities where occupancy has been delayed pending studies of alternative programs.

The total estimated cost of the pay plan and the above proposals is \$42.6 million.

My budget recommendations for departments relying heavily on segregated funds—primarily the Department of Transportation and the Department of Natural Resources—contain few significant policy changes. These budgets will, of course, be detailed in the executive budget bill and budget book. I have, however, recommended substantial increases in staffing and expenses for the air pollution protection program in the Department of Natural Resources to assure that the state will meet federal requirements. Most other new environmental costs have been eliminated pending recommendations from the environmental task force.

As in the case of the general purpose revenue monies, I have also pared administrative costs from segregated funds. This has been especially necessary with regard to the conservation fund and the reforestation fund, both of which are projecting limited balances.

STATE OPERATIONS AND LOCAL ASSISTANCE

Whereas 51.6% of the authorized funding (G.P.R.) of the present biennium is for state operations, and 48.4% is for local assistance, I am recommending increases of 45.5% for state operations and 54.5% for local assistance. With these increases, the proposed budget expenditures for 1971-73 are almost equally split between state operations and local assistance.

I have been critical of the federal government for not utilizing its superior taxing powers to be of greater assistance to the states. In a similar fashion, it is essential that the states recognize a greater responsibility toward municipalities which are forced to rely almost solely on local property taxes for revenue. I believe this budget takes necessary and decisive action in this regard.

PROPERTY TAX RELIEF AND ASSISTANCE
TO LOCAL GOVERNMENTS

The property tax in Wisconsin represents more than 40% of all state and local levies; it represents more than 70% of the revenues raised by local governments. Given its central role in the funding of government services, one would expect uniformity and equity in its assessment and burden. Unfortunately, this is not the case. The property tax is regressive; it bears little relationship to the financial capacity of the taxpayer. Moreover, the amount of the tax often depends upon the accidental location of industries and utilities, unfairly benefiting some and burdening others. The state must respond to this inequitable situation in three ways:

1. by establishing a more fair and uniform administration of the property tax;
2. by taking action to compensate for the uneven distribution of property values; and
3. by using state collected taxes to provide for significant property tax relief.

In this budget I intend to use state monies from the income and sales taxes to provide property tax relief to individuals and local governments in the amount of \$100 million. The specific relief measures are as follows:

1. \$47.7 million of new payments to local governments and credits to taxpayers;
2. \$24.3 million of additional direct relief for property taxpayers, consisting of:

* \$16.6 million for homestead relief for elderly citizens with limited incomes who are either homeowners or renters. I am providing expansion of the eligibility limit on annual earnings from the present \$3,700 to \$5,000 and permitting relief on the first \$500 of property taxes instead of the present \$330. This change will be effective for 1971 property taxes. [Exhibit D shows the effect of this improved homestead relief.]

- * In addition, I propose to increase personal property tax relief for farm and business inventories by 5% from 60% to 65% of state-funded relief. This will

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be effective for 1972 and represents a \$7.7 million relief package for one year.

3. \$28.9 million dollars for the assumption of local government costs, to be accomplished as follows:

- * State aids for vocational schools at 40% the first year and 60% the second year for a total outlay of \$12.7 million in excess of the amount provided at the current 33% aid level;
- * A one per cent increase in the support of elementary and secondary schools in the second year of the biennium from 35.6% to 36.6% of operating costs amounting to \$11.5 million;
- * State absorption of the cost of patrolling the interstate system in Milwaukee at a cost of \$2.7 million;
- * State absorption of the cost of probation services in Milwaukee County at a cost of \$1.3 million; and
- * State absorption of the current cost to the counties of the WIN program, at an expense of \$.7 million.

Between property tax relief and revenue sharing with local governments, two out of every three dollars of state revenues will be returned to local units of government. [Exhibit E describes the actions of state government to aid its subordinate units of government.]

SHARED TAX DISTRIBUTION

Nearly half of the property tax relief program in this budget is in the form of additional shared taxes in excess of the total localities would receive under the current formula. It would be a compounding of injustice if we simply distributed these additional funds using the present inequitable method of allocation. Few states equal Wisconsin in the level of support provided to local governments; however, it has become increasingly evident in recent years that our method of distributing shared taxes, relying primarily on the basis of the origin of revenue, totally neglects consideration of need.

I am therefore including in the budget an entirely new method of shared tax distribution based on the Tarr Task Force proposal. My recommendation is that the present

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shared taxes, estimated at \$580.4 million for the next bien-nium, plus \$47.7 million of new state sharing, be deposited in a local government shared tax fund to be distributed as follows:

1. an allotment to municipalities of \$35 per capita;
2. expanded General Property Tax Relief as a credit to the taxpayer; and
3. aid to local governments based on their level of property taxation.

The latter two distributions—the taxpayer credit and the aid to local governments—would assist those taxpayers subject to a full value rate in excess of 20 mills. This level of tax rate develops in many communities because they have special problems such as low property tax bases, unavoidably high costs for essential services, or the need to provide services to those outside their governmental boundaries.

Municipalities with utility plants would receive special payments, and any remaining municipalities with serious adverse effects as a result of the new distribution system would receive transitional payments for five years.

The present method of distributing the state's shared taxes is not related to need. Our problem, then, is to find a more equitable alternative. I believe my recommendations will overcome most of the objections to the Tarr Task Force proposals expressed in the last legislative session.

The combined effect of the direct and indirect property tax relief of \$100 million and the new formula for shared tax distribution should have a significant impact on reducing the burden and improving the equity of the property tax. However, we cannot be satisfied until we improve the administration of the property tax, further reduce the disparities among mill rates and reduce the overall reliance on the property tax in the future.

I am proposing that the amount of these additional state funds and all growth in existing shared taxes in the next biennium appear on the property tax form as a state credit. Since the Legislature is responsible for raising these funds, I think it is desirable for the property taxpayer to realize that his burden has been reduced through your efforts.

REVENUE RECOMMENDATIONS

In spite of the fact that every effort has been made to reduce all increases, it is still necessary to raise new revenues to finance this budget. However, because of the reductions in personal and business income occasioned by the present recession, I have concluded that we must delay a tax increase until January 1, 1972.

In my expenditure, property tax and shared tax recommendations, I have proposed major reforms. In the area of state tax revenues, the keynote must also be reform.

In recent years Wisconsin's state and local tax structure has become increasingly more regressive as the state has relied more heavily upon taxes which do not take into consideration the ability to pay. Increases in sales and property taxes are glaring examples of this; even rate changes in the income tax have burdened most heavily those in the lower and middle income brackets. The progressive income tax, which at one time offset other regressive forms of taxation, fails to meet that test today. It is clear that the income tax should not only be the major source of new revenues, but that it should also be reformed to restore balance to our total tax system.

To provide additional property tax relief and assistance to local governments, to fund the recommended level of state operations and state aids, and to provide for a modest remaining balance, a total of \$177 million in additional revenues must be raised.

My revenue recommendations are in two parts. The first deals with individual and corporate income taxes; it embodies rate increases and reform of the income tax structure. The second deals with several special tax reforms.

I propose that individual and corporate income rates be expanded proportionately in all brackets. In the case of the individual income tax this will amount to an increase of from 2.7% to 3.2% in the lowest bracket and an increase of from 10% to 12% in the top bracket. In the last three individual income tax rate changes, the rate for the highest bracket has not increased. I now recommend that two new brackets in the higher income levels be created. This action strengthens the state's commitment to progressive taxation.

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Coupled with these rate increases, I am proposing significant improvement in standard deductions and in the personal exemption credit. This will bring Wisconsin closely into line with recently liberalized federal practices. The minimum standard deduction will be increased from \$300 to \$1,000 and the maximum amount that can be claimed from \$1,000 to \$2,000. The personal credit, which has not been improved since 1962 in spite of serious erosion due to inflation and rate increases, will be doubled from \$10 to \$20. These changes in deductions and exemptions will offset the rate increases to some extent for all taxpayers, but will especially benefit low income families.

For families with the most meager income, the net effect will be a complete tax elimination. Thus, a family of four with total earnings of up to \$3,342 which may presently pay as much as \$80 in state taxes will no longer have a state tax obligation. For many who have a slightly higher income—those who have been hardest hit by inflation and increases in consumer taxes—the proposed deductions and credits will also be particularly beneficial.

Corporations, which have had no increase in rates since 1954, will have their basic rates increased by up to 1.4 percentage points in the top bracket and will no longer be allowed to deduct state and federal income taxes paid for state income tax purposes. Actually, the percentage of federal taxes now deductible is small; furthermore, individuals have not been allowed to take this deduction since 1962. It is also important to note, that of the total corporate tax increases, over 65% will be returned to the corporate sector in the form of additional property tax relief and added federal deductions.

I am also proposing several other changes in the tax structure. Domestic insurance companies, which are presently not taxed and which sell disability, marine, fire and casualty insurance, should be required to pay a premiums tax at the same rate as competitive companies now being taxed. In this period of fiscal difficulty, the state can no longer afford to grant this special benefit.

I further recommend a tax on tobacco products not presently subject to an excise tax. The intent is to tax cigars and smoking and chewing tobacco at a rate comparable to the level of taxation on cigarettes.

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Additionally, I urge the elimination of the retailers' sales tax discount. I believe that the unique subsidy for the collection of this tax is not good public policy.

In summary, I am proposing increases in the individual and corporate income taxes and in additional revenue sources to yield \$177 million. But it is important to understand that this increase permits the state to provide \$100 million in property tax relief and to increase school aids and other assistance to local units of government. If this additional revenue were eliminated from the budget, state operations could still be funded at the proposed levels. In fact, if we maintained state aids at the current dollar levels and offered no further property tax relief or new shared revenues, we could reduce the revenue requirements by \$270 million, allowing a reduction of existing state taxes by almost \$100 million. This, of course, would be an irresponsible act which would drive property taxes up to confiscatory levels.

CONCLUSION

The submission of this message to the Legislature by no means terminates executive office interest in the budget process. I intend, in fact, to work closely with the Legislature until a satisfactory budget and revenue bill is on my desk for signature. During this period, I and my staff will be available to meet with legislators, members of the Joint Finance Committee and interested citizens to discuss the budget.

My signature on the 1971-73 biennial budget will in no way diminish my continuing interest in the fiscal questions raised by the budgetary process. Indeed, concern for and scrutiny of the budget must be continuous. I believe this can be accomplished in part if the Legislature accepts the proposal I made in Part I of my budget message for annual legislative review of the state's budget. In addition, I believe that both the executive and the legislative branches must participate in an on-going reappraisal of the budget.

It is also essential to evaluate on a continuing basis the effectiveness of the delivery of services. With this in mind, I intend to inspect every major state institution and many departments of state government during the forthcoming year. My fiscal posture will be one of constant vigilance.

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I know that you will join me in attempting to insure that every dollar of money expended corresponds to an urgent and high priority need of our citizens and that the state receives maximum value for each dollar. In this way we will know that we have exercised our mandate to serve the people and to provide for their legitimate needs within the limits of available resources.

EXHIBIT A

SUMMARY OF GOVERNOR'S EXPENDITURE RECOMMENDATIONS

GENERAL PURPOSE REVENUE BUDGET, 1971-73

1969-71 Authorizations	\$1,595.9 million	
1971-73 Increases Requested by Agencies	<u>618.7 million</u>	
Agency Requests, 1971-73		\$2,209.6 million
Governor's Reductions		<u>(-)280.0 million</u>
Budget Based on Agency Requests		1,929.6 million
Policy Decisions Not in Agency Requests		
Public Assistance Supplements & Restorations	\$16.1 million	
Other Policy Additions	<u>14.5 million</u>	
TOTAL ADDITIONS		<u>30.6 million</u>
Total Recommended Appropriations		\$1,960.2 million
Estimated Lapsed Balances		<u>(-)19.6 million</u>
Estimated Expenditures		\$1,940.6 million
RESERVES:		
Civil Service Pay Plan	\$24.6 million	
Subsequent Executive Proposals	<u>18.0 million</u>	
TOTAL RESERVES		<u>\$ 42.6 million</u>
TOTAL GENERAL PURPOSE REVENUE BUDGET REQUIREMENTS		<u><u>\$1,983.2 million</u></u>

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EXHIBIT B

GOVERNOR'S ADDITIONAL RECOMMENDATIONS BEYOND AGENCY REQUESTS

GENERAL PURPOSE REVENUE BUDGET, 1971-73

A. Public Assistance Supplements and Restorations	(\$16.1 million)
1. Revised caseload estimate and re-estimate of grant and medical costs -----	5.6
2. Cost of raising AFDC grants to 90% of need in 1971-72 and 100% in 1972-73 and updating grants to 1970 prices -----	5.2
3. Restoration of AFDC-U and dependent student benefits -----	2.6
4. Restoration of Group II medical benefits --	1.0
5. Other Supplements and Restorations -----	1.7
B. Other Additions -----	(\$14.5 million)
1. School lunches for needy students -----	2.2
2. Additional leadership and need grants for vocational school students -----	3.8
3. State payment of Milwaukee Adult Probation costs -----	1.3
4. Added state support of WIN program ----	1.3
5. Numerous other additions -----	5.9

EXHIBIT C

GOVERNOR'S RECOMMENDED INCREASES BY FUNCTION AND TYPE

GENERAL PURPOSE REVENUE BUDGET, 1971-73

Function/Type	Amount
Education -----	(\$232.7 million)
Department of Public Instruction Aids -----	120.4
University of Wisconsin, Operations -----	35.8
University of Wisconsin, Faculty Salary Increases -----	15.8
State University, Operations -----	12.6
State University, Faculty Salary Increases ---	17.8
Vocational School Aids -----	18.1
All Other Education -----	12.7
Human Relations and Resources -----	(108.1)
Welfare Grants and Aids -----	50.1
Health and Social Services Operations -----	47.1
All Other -----	5.9
Environmental Resources -----	11.5

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General Executive -----	8.3
Legislative Functions -----	6.8
Miscellaneous -----	0.8
Judicial -----	0.6
Commerce -----	0.5
TOTAL INCREASES -----	\$364.3 million

EXHIBIT D

COMPARISON OF PRESENT AND PROPOSED HOMESTEAD PROPERTY TAX RELIEF FOR THE AGED AT SELECTED INCOME LEVELS FOR PERSONS WITH \$500 OF PROPERTY TAXES

Income Level	Relief Under Present Law	Relief Under Proposed Revision
\$ 0	\$247	\$375
1,000	189	300
2,500	108	213
3,500	18	129
4,500	0	45
5,000	0	0

The present homestead law provides for a maximum income level of \$3700 and pays relief only on the first \$330 of property taxes.

Under the proposed revision, families with incomes of up to \$5,000 would be eligible for relief on property taxes up to \$500. Renters would also be eligible for relief as they are under the present program and would benefit from the liberalized provisions of the new law.

EXHIBIT E

ALLOCATION OF STATE FUNDS BY PURPOSE 1971-73

Purpose	Amount in Millions	Percentage
State Operations	\$ 987.7	33.6%
Local Support		
Local Assistance Aids	972.5	33.1%
Shared Taxes and Relief	978.6	33.3%
Total	\$2,938.8	100.0%
State	987.7	33.6%
Local	1,951.1	66.4%

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EXHIBIT F

STATE TAX REVENUES
1971-73

Type	Amount in millions	Percentage
Income		
Individual	\$1,270.2	45.0%
Corporate	272.9	9.7%
Sales and Excise	988.2	33.2%
All Other	342.5	12.1%
Total	\$2,823.8	100.0%
State Share	1,845.2	65.3%
Local Share	978.6	34.7%

EXHIBIT G

STATE OPERATIONS AND LOCAL ASSISTANCE
General Purpose Revenue Budget, 1971-73

Function	1969-71	Increase	1971-73	1971-73 Percentage
Education	\$1,045.8	\$232.7	\$1,278.5	65.2%
Human Relations	405.2	103.1	508.3	25.9%
All Other	144.9	28.5	173.4	8.9%
Total	\$1,595.9	\$364.3	\$1,960.2	100.0%

11:50 A.M.

The senate reconvened.

Senator Risser moved a

CALL OF THE SENATE

Which motion was supported.

The sergeant-at-arms was directed to close the doors and the clerk to call the roll.

The roll was called and the following senators answered to their names:

Present—Senators Bidwell, Busby, Chilsen, Cirilli, Devitt, Dorman, Frank, Heinzen, Hollander, Johnson, Kendziorski, Keppler, Knowles, LaFave, Lorge, Lotto, Lourigan, Mc-

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Kenna, Martin, Murphy, Parys, Risser, Roseleip, Schuele, Soik, Steinhilber, Swan, Thompson and Whittow—29.

Absent—Senators Knutson and Peloquin—2.

Absent with leave—Senator Krueger—1.

By request of Senator Whittow, with unanimous consent, the call of the house was raised.

Upon motion of Senator Keppler the senate adjourned until Wednesday, March 3, at 9:30 A.M.

INTRODUCTION OF GUESTS

Senator Murphy introduced: Lew Rheinsmith and Frank Mastrow from Nashotah and Stone Bank Junior High School.

Senator Bidwell introduced: Bill Gessel, Wisconsin Dells, student, University of Wisconsin; Richard Kelley, district attorney, Juneau County; George Klinker, chairman, county board, Juneau County; William Alexander, member, Juneau County Board; H. S. DeLong, member, Juneau County Board.

CHIEF CLERK'S REPORT

The chief clerk records:

Senate Bill 5

Correctly enrolled and presented to the Governor on Monday, March 1, 1971.